

## Message Text

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ACTION EB-08

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FM AMEMBASSY SOFIA

TO SECSTATE WASHDC 4239

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TAGS: EFIN, ETRD, BU

SUBJECT: BULGARIA ADOPTS "DUAL" EXCHANGE RATE

REF: SOFIA A-8

1. AS REPORTED PREVIOUSLY, BULGARIA HAS DECIDED TO INSTITUTE WHAT IN EFFECT IS A DUAL EXCHANGE RATE IN AN EFFORT TO BOOST THE LAGGING TOURIST INDUSTRY. TECHNICALLY, THIS DOES NOT REPRESENT A TWO-TIERED RATE, AS THE PRESIDENT OF THE FOREIGN TRADE BANK EXPLAINED TO THE AMBASSADOR; RATHER, IT IS A DECISION BY THE MINISTRY OF FINANCE AND THE COMMITTEE ON TOURISM TO PROVIDE (CURRENTLY) A 50 PERCENT "TOURIST PREMIUM".

2. THE NEW SYSTEM HAS BEEN IN EFFECT, WITH SOMEWHAT ERRATIC APPLICATION, SINCE THE BEGINNING OF FEBRUARY. IT NOW APPEARS THAT ONLY TOURISTS STAYING IN THE COUNTRY MORE THAN TWO DAYS WILL BE ELIGIBLE FOR THE PREMIUM. CURRENTLY SET AT 50 PERCENT, IT REMAINS TO BE SEEN IF THE PREMIUM WILL VARY WITH THE TOURIST SEASON. SOME BUSINESS VISITORS HAVE BEEN ABLE TO OBTAIN THE PREMIUM, WHILE OTHERS HAVE BEEN DENIED IT SINCE THEY WERE NOT "VISITORS."

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3. NEVERTHELESS, THE PREMIUM STILL IS CONSIDERABLY BELOW THE STREET RATE. THE TOURIST RATE IS NOW 1.35 LEV PER DOLLAR, WHILE ON UNOFFICIAL MARKETS, THE RATE IS OFTEN 2.5-4.0 LEV PER DOLLAR.

4. GOB HAS SOME REASON TO BE CONCERNED REGARDING ITS FALTERING TOURIST INDUSTRY. TOURISM FROM FRG, THE MAJOR

WESTERN SOURCE, HAS DROPPED CONSIDERABLY FROM 200,000 IN 1975 TO 160,000 IN 1976 AND 80,000 IN 1977. PART OF THE PROBLEM HAS BEEN A LACK OF ADEQUATE HOTEL SPACE WHICH THE COMMITTEE ON TOURISM HAS ATTEMPTED TO ALLEVIATE BY CONSTRUCTING SEVERAL TOURIST CLASS HOTELS THROUGHOUT THE COUNTRY. THE NEW FRENCH-BUILT HOTELS IN SOFIA AND PLOVDIV, FOR EXAMPLE, HAVE CONSIDERABLY IMPROVED THE HOTEL SITUATION IN THOSE TWO CITIES. CHILDREN BETWEEN 2 AND 6 NOW STAY FREE IN ALL HOTELS.

5. HOWEVER, ACCORDING TO AN ARTICLE IN THE MARCH 7 EDITION OF ZEMEDEL'SKO ZNAME, THERE IS TO BE NO FURTHER CONSTRUCTION OF TOURIST COMPLEXES IN THE BLACK SEA AREA AFTER THE CURRENT PHASE OF DEVELOPMENT IS COMPLETED IN 1982. COMMENT: THIS MAY WELL BE INTENDED TO PLACATE LOCAL AND ENVIRONMENTAL CRITICS OF THE COMMITTEE'S CONSTRUCTION EFFORTS ALONG THE BLACK SEA LITTORAL. END COMMENT.

6. IN AN ADDITIONAL MOVE TO CATER MORE TO TOURISTS (AS WELL AS SOP UP HARD CURRENCY IN DOMESTIC HANDS), THE SYSTEM OF HARD CURRENCY STORES (CORECOM) IS BEING EXPANDED. THIS COULD MEAN THAT BULGARIA MAY STEP UP IMPORTS OF SELECTED CONSUMER GOODS FROM THE WEST. GARTHOFF

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